

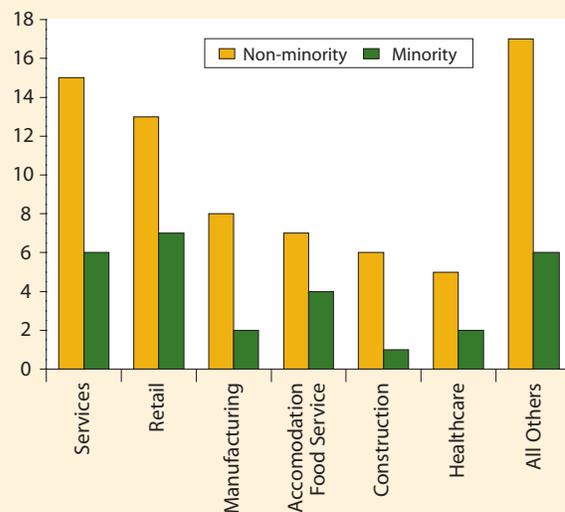
SUMMARIES BY GROUP OF CONTRIBUTIONS, CHALLENGES AND SBA ASSISTANCE

SBA plays a significant role in promoting community development by laying the foundation of access to markets and financing. SBA continues to raise awareness of the available procurement prospects and considerable other support we have to offer so that the small businesses can better realize their potential and become fully engaged in the national economy.

Creating new businesses and, more dramatically, sustaining existing firms creates wealth, job opportunities and in effect leads to a much broader tax-base from which to help improve civic structures e.g. education, transportation – fostering a community’s gradual development and growth.

There are successes, improvements and remaining challenges for minority groups. Between 1997 and 2001 non-minority-owned businesses enjoyed a survival rate of 72.6%, higher than any other business group. On the other hand, non-minority owned businesses came in third (27.4%) in expansion rates, behind Hispanic-owned (34%) and Asian-owned (32.1%) establishments.²⁶ The table below further illustrates the divide that persists in industry sectors between minorities and non-minorities – with a larger share of minorities gravitating towards businesses in the retail and accommodation and food service sectors.

**Loans to Minorities and Non-Minorities by Sector
2000 – 2005**



One of SBA’s responsibilities is to continue to provide counsel and advice to encourage diversification. Advancing flexible procurement policies helps move many minorities out of the traditional retail and service industries and into technical/professional sectors. This has opened opportunities for minorities allowing them to diversify as a group into non-traditional and new industries.

Within the following pages are highlights of the contributions the nation’s small business minority groups have made to the economy. The charts and figures will also focus on the burdens these groups continue to face, how it affects their competitiveness in the marketplace and the steps SBA continues to take to address these challenges. Information for SBA Technical Assistance for these groups will be available in FY 2006. Information for Federal Contract dollars and Surety Bonds was not available.

²⁶ <http://www.sba.gov/advo/research/rs251tot.pdf>

PROFILE OF AFRICAN AMERICAN OWNED FIRMS

Contribution to the Economy

From 1997 to 2002, the number of black-owned firms grew 45% with a corresponding increase in revenue of 30%, the highest increase in revenue receipts of all groups.²⁷

African Americans owned 5.2% of the 23 million US firms. These African American owned firms generated \$92.7 billion in revenues and employed over 770,000 individuals.

Special Competitive Opportunity Gaps

- Research²⁸ suggests that African American small businesses are predominately pre-occupied with ensuring survival of their enterprise, and more often than not these firms do not enjoy the cushion of peer-group professional associations.
- Even with encouraging growth in start-ups and expansion of existing black-owned businesses, sustaining these firms continues to be a major challenge. At 61%, this group has the lowest four-year business survivor rate of all groups and also experienced the lowest rate of expansion of all groups.
- Census further reports that “Thirty-eight percent of black-owned firms operated in the health care and other service industries.”²⁹ Furthermore, the lowest average receipts per firm also occurred in this group: \$20,761 per firm for proprietors with no paid employees, and \$735,586 for firms with employees.
- Despite having similar financial and asset profiles to control groups, research shows that higher than average loan-denial rates still persist for African Americans and Hispanics compared to identical non-minority borrowers.³⁰

What SBA Is Doing to Fill the Gaps

Apart from access to capital to fill the funding availability gaps that still exist in the marketplace, SBA provides expert advice and counsel through SCORE and Business Matchmaking—guiding these firms in establishing professional networks to help move them from a family firm to a professional business.

27. US Census. 2002 Survey of Business Owners. <http://www.census.gov/csd/sbo/>

28. Dean, Sylvia .M. (1992). Characteristics of African American family-owned businesses in Los Angeles. *Family Business Review*.

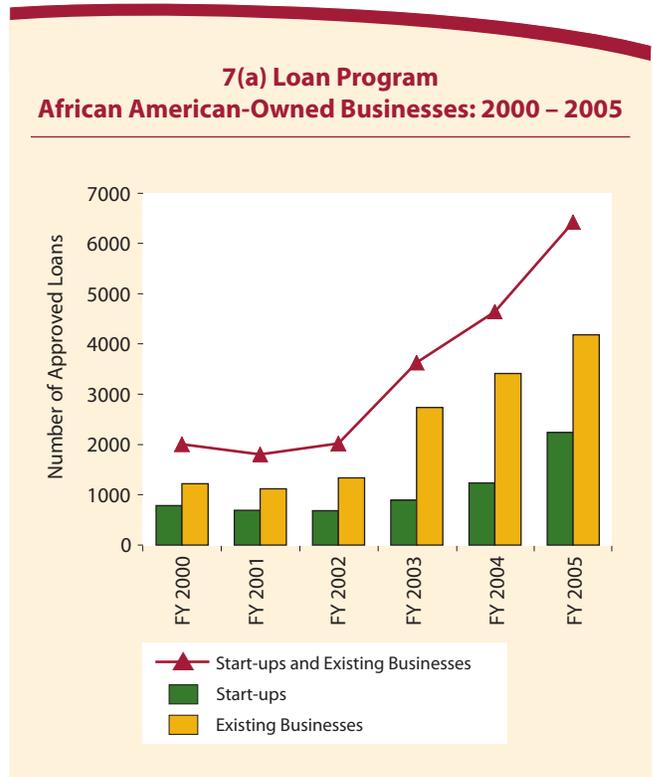
29. US Census. 2002 Survey of Business Owners. <http://www.census.gov/csd/sbo/>

30. Availability of Financing to Small Firms Using the Survey of Small Business Finances, Mitchell, K & Pearce, D. 2004. <http://www.sba.gov/advo/research/rs257tot.pdf>

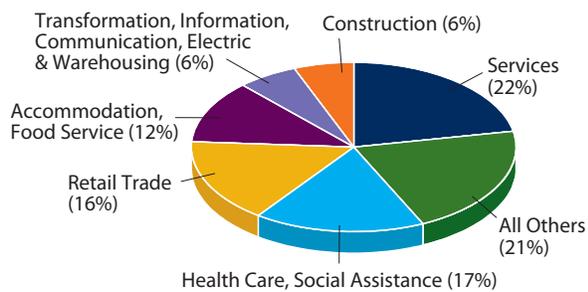
Analysis

- Existing businesses are being sustained and perhaps growing as evidenced by the number who turn to SBA for their expansion needs. African Americans with existing businesses are using SBA for sustaining and growing their firms in increasing numbers. However the proportion of the 7(a) portfolio going to start-ups has decreased.
- Looking at industry sectors and the small businesses that turned to SBA for 7(a) and 504 Loans, we find a heartening increased movement into skilled sectors. In 2001 for instance, 17% of these loans SBA made to African Americans were in the Health-Care/Social Assistance sector, 12 % in the Accommodation/Food Service and 6% in Technology related sector. By 2005 however , the share of Technology have grown to 10% while those in the Accommodation/Food Service and Healthcare/Social assistance had shrunk to 8% and 12% respectively—an encouraging trend showing diversification towards the more lucrative industries.

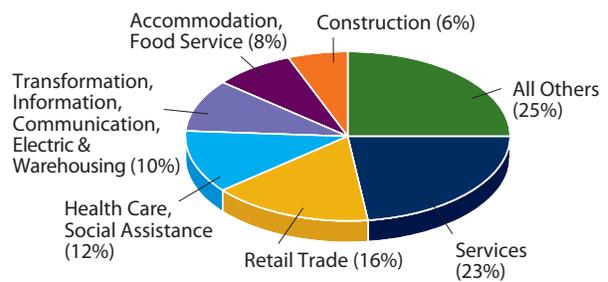
PORTION OF PORTFOLIO FOR FY 2005		
	Number	Percentage
8(a)	3,439	36.4%
HUBZone	2,483	18.4%



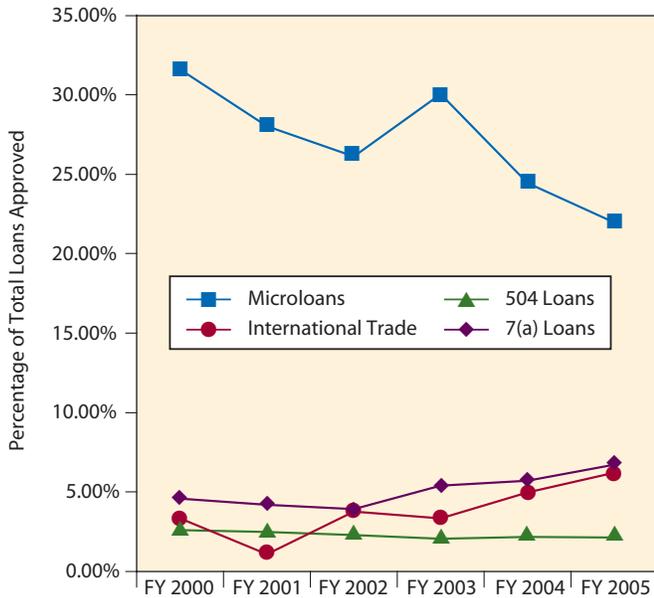
7(a) and 504 Loans to African American-Owned Small Businesses by Industry Sector: 2001



7(a) and 504 Loans to African American-Owned Small Businesses by Industry Sector: 2005

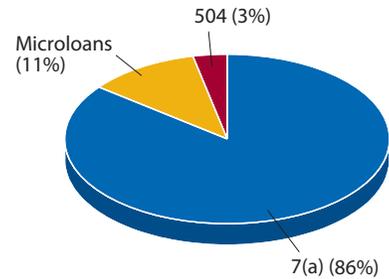


**Financial Assistance Programs
Percentage of Total Loans Approved to
African American By Program: 2000 – 2005**

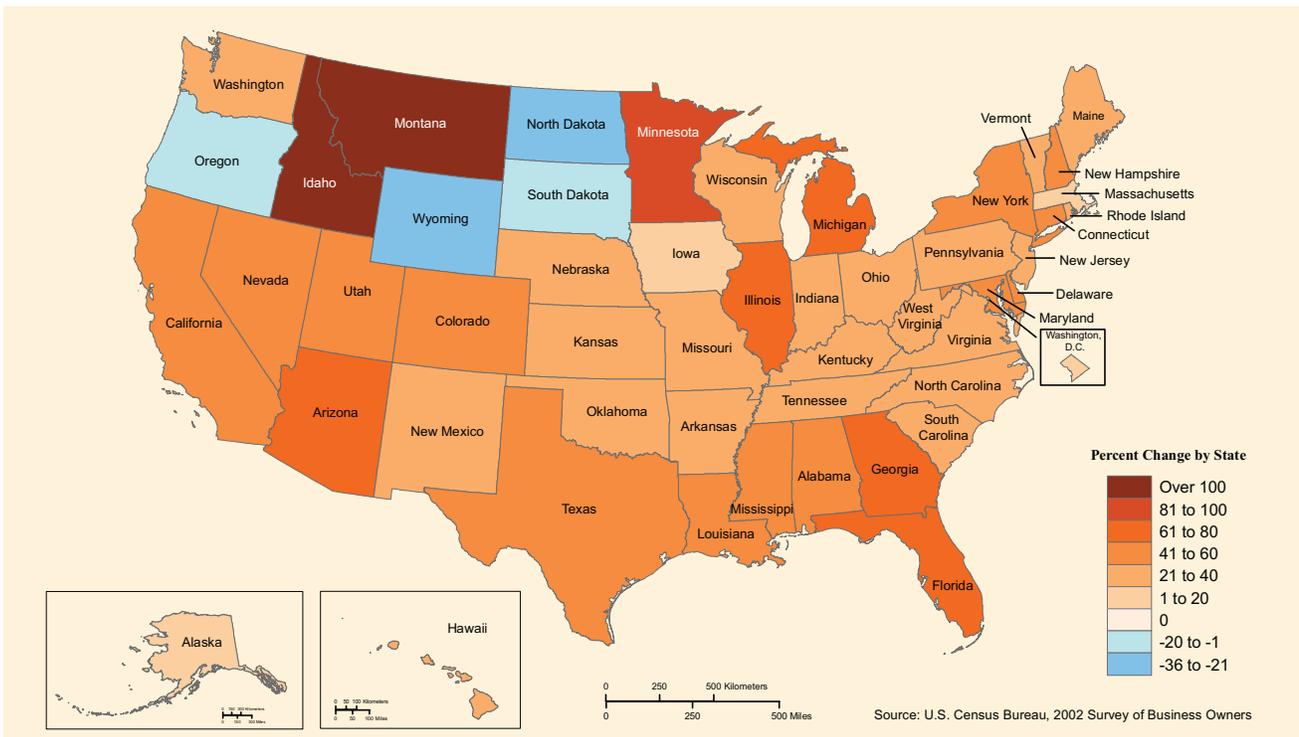


- An encouraging trend is the shift from high usage of the Microloan program compared to the other SBA offerings. The percentage of Microloans to African Americans is decreasing. At the same time more African Americans are turning to the 7(a) loan program—with its higher loan limits—as is illustrated by the upward trend in loan approvals

**Loan Programs Distribution
African American-Owned Small Businesses**



African American-Owned Businesses | Percent Change in Number of Firms: 1997 to 2002



PROFILE OF ASIAN AMERICAN OWNED BUSINESSES

Contribution to the Economy

Asians experienced the highest four-year survival rate of all minority small business groups at 72.1% and did particularly well in the Finance, Insurance and Real Estate sector.

The number of Asian firms grew 24% from 1997 to 2002 with a corresponding increase in revenue of 13%.³¹

The most recent 2002 Census figures show that Asians owned 1.1 million or 4.8% of the 23 million US firms and firms generated \$343 billion in revenues and paid over \$58.6 billion in wages. Within the minority groups, Asians also enjoy the second highest per firm revenue at \$961,379 for businesses with employees.

Special Competitive Opportunity Gaps

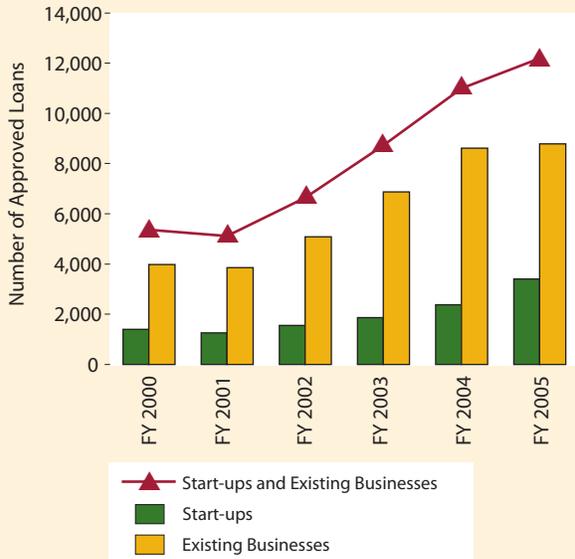
- There may be a reluctance within this segment to borrow capital from institutions. Asians may turn to personal or family holdings as a source of business financing.
- Research shows that lenders do not artificially restrict the credit-market access of Asian firm owners.³¹

What SBA Is Doing to Fill the Gaps

Extending SBA's scope through marketing and outreach to this market segment so they are aware of the variety of options available from the Agency as an alternative source of business financing or to supplement personal and family resources.

31. Availability of Financing to Small Firms Using the Survey of Small Business Finances, Mitchell, K & Pearce, D. 2004.
<http://www.sba.gov/advo/research/rs257tot.pdf>

**7(a) Loan Program
Asian-Owned Businesses: 2000 – 2005**



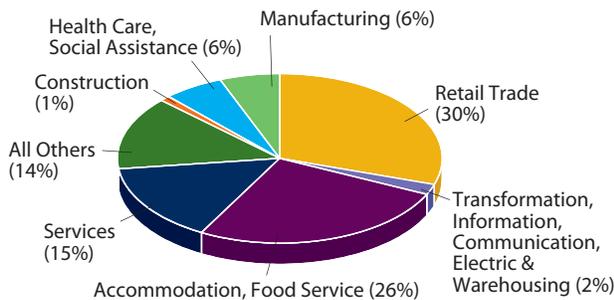
Analysis

- The number of Asian American owned businesses turning to SBA for 7(a) loans is increasing. The number of loans to existing businesses is increasing proportionately faster than those to start-ups. It is not known if this reflects a general decrease in start-ups in the market.
- An encouraging trend is that there appears to be some shift between sectors. The Accommodation/ Food Service sector accounted for 26% of all 7(a) and 504 loans to Asian Americans in 2001 and 22% by 2005. Loans to Construction doubled during this period while loans to Retail Trade remained constant at 30% for both years.

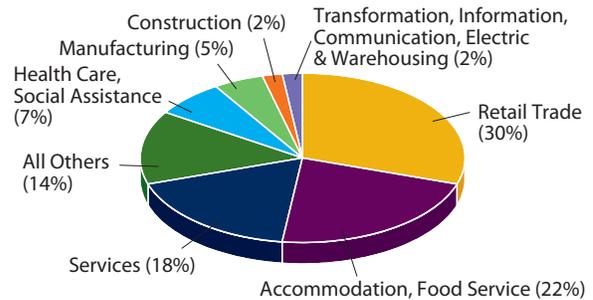
PORTION OF PORTFOLIO FOR FY 2005

	Number	Percentage
8(a)	2,114	22.4%
HUBZone	322	2.4%

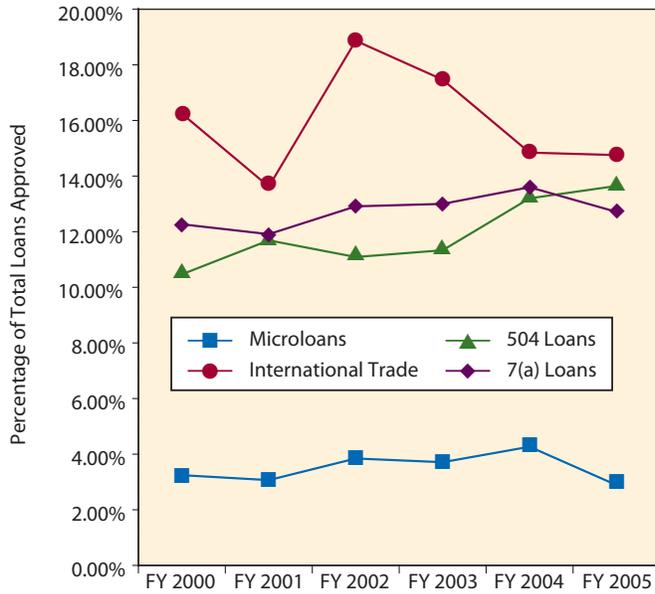
7(a) and 504 Loans to Asian-Owned Small Businesses by Industry Sector: 2001



7(a) and 504 Loans to Asian-Owned Small Businesses by Industry Sector: 2005

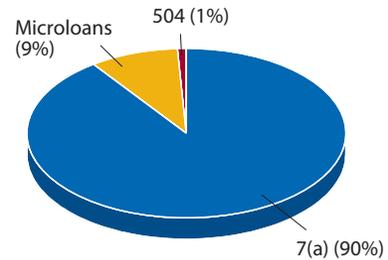


**Financial Assistance Programs
Percentage of Total Loans Approved to
Asians By Program: 2000 – 2005**

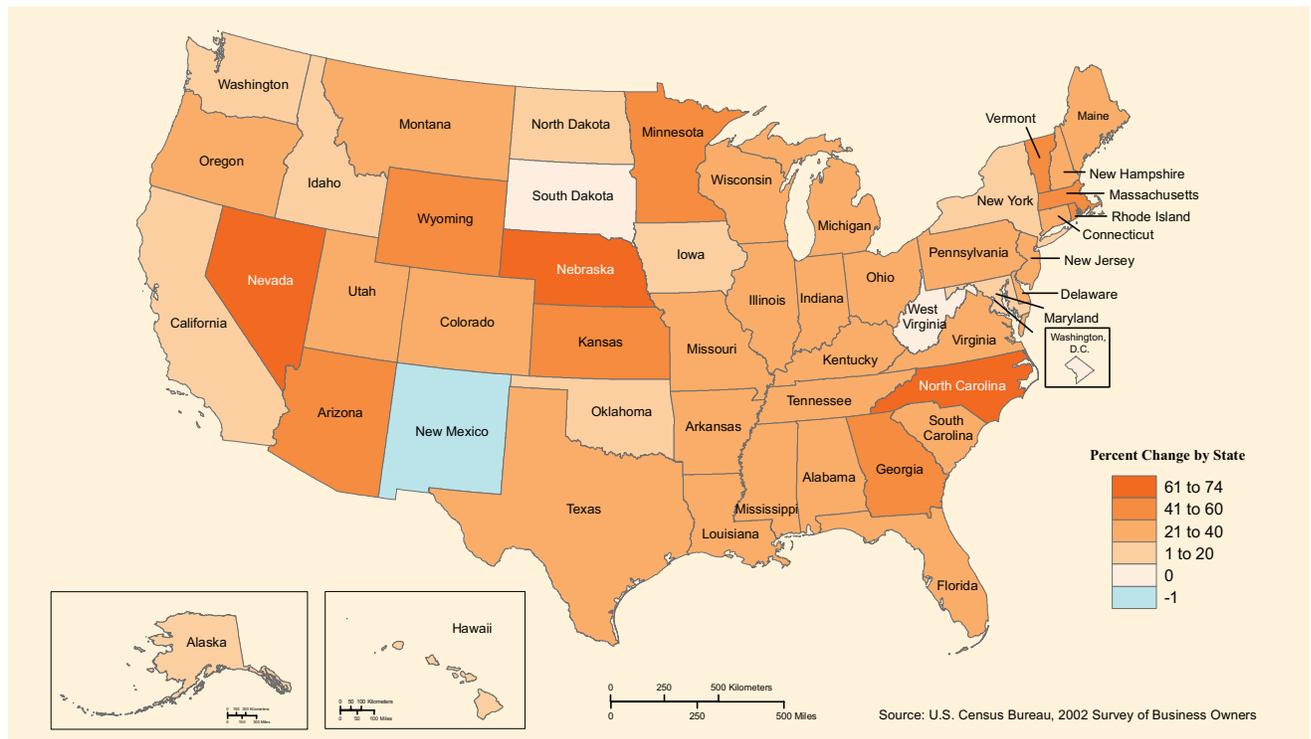


- The percentage of the 504 loan portfolio to Asians are showing an upward trend—though the current fiscal year’s increase is not as marked as the previous year’s. On the other hand, Asian’s share of the loan pie under the other programs is either flat (International Trade) or decreasing (7(a) and Microloans).

**Loan Programs Distribution
Asian-Owned Small Businesses**



Asian-Owned Businesses | Percent Change in Number of Firms: 1997 to 2002



PROFILE OF HISPANIC-OWNED BUSINESSES

Contribution to the Economy

Hispanics are the US's largest and fastest growing minority group, with a share of population moving from 7% to 13.8% in the two-decade period ending in 2002.

At the same time, for a 15-year span between 1982 and 1997, Hispanic-owned businesses grew four-fold and represented the second fastest growing business group. Hispanic businesses experienced a four-year survival rate of 68.6%, coming up third after non-minorities and Asians. Hispanics also enjoyed above-average survival rates in both the manufacturing and retail sectors and experienced the lowest contraction rates of all minority and non-minority groups.

The most recent 2002 Census figures show that the number of Hispanic firms grew 31% from 1997 to 2002 with a corresponding increase in revenue of 22%.³² Thirteen percent of these firms were in construction. Hispanics owned 1.57 million or 6.8% of the 23 million US firms and firms generated \$226 billion in revenues and paid over \$37 billion in employee wages.

Special Competitive Opportunity Gaps

- Census reports that about 40% of Hispanic owned firms were in administrative and support, waste management, health care, and other service industries.
- Hispanic-owned businesses have realized a substantial increase in the share of loans held by finance companies, but a substantial decrease in the share of loans held by commercial banks.³²
- Hispanic firm owners face significantly greater loan denial probabilities than white male firm owners on both relationship bank loans and transaction bank loans that may possible due to discrimination.³³
- Latino businesses were "relegated to a peripheral status on the radar screens of most venture capitalists."³⁴

What SBA Is Doing to Fill the Gaps

On the funding end, SBA continues to fill the gap in the financing needs of groups like the Hispanics that still face roadblocks in the marketplace—particularly access to investment funds to start or grow their firms. Access to seed capital is really only the tip of the iceberg in the development of a small business. One of SBA's Technical Assistance programs, Business Matchmaking may assist with sector diversification by bringing small business owners with limited social networks together with larger firms with which they can form potentially lucrative new business relationships.

32. Finance Companies and Small Business Borrowers: Evidence from the 1993 and 1998, Surveys of Small Business Finances (George W. Haynes, 2005) <http://www.sba.gov/advo/research/rs255tot.pdf>

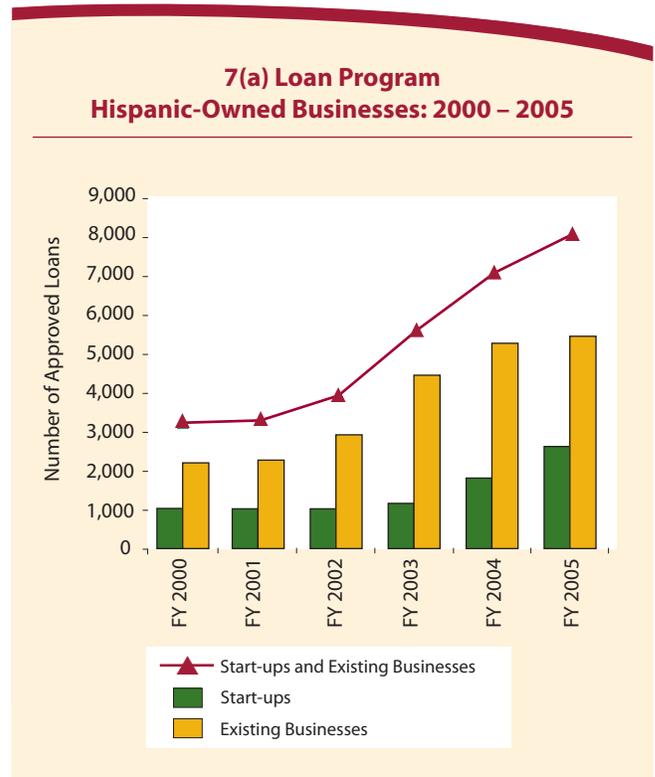
33. Availability of Financing to Small Firms Using the Survey of Small Business Finances, Mitchell, K & Pearce, D. 2004. <http://www.sba.gov/advo/research/rs257tot.pdf>

34. An Investigation Of Women-Led Firms And Venture Capital Investment, Brush et al, 2001. <http://www.sba.gov/ADVO/research/rs214tot.pdf>

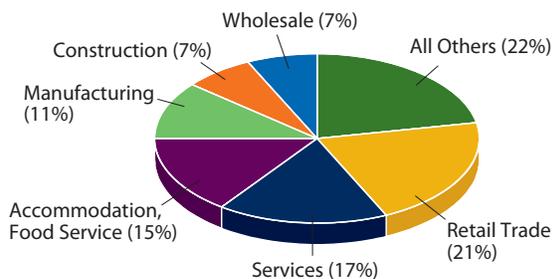
Analysis

- The number of Hispanic-owned businesses (both existing and start-ups) turning to SBA for 7(a) loans is growing significantly.
- As in the experiences observed in other groups that face competitive challenges, a promising trend is the shift into industries that provide higher profit margins. In 2001, 15% of all 7(a) and 504 loans to Hispanics went towards enterprises in the Accommodation/ Food Service sector. By 2005, it was down to 11%. At the same time, loans to Hispanics in the Construction sector grew from 7% to 9%.

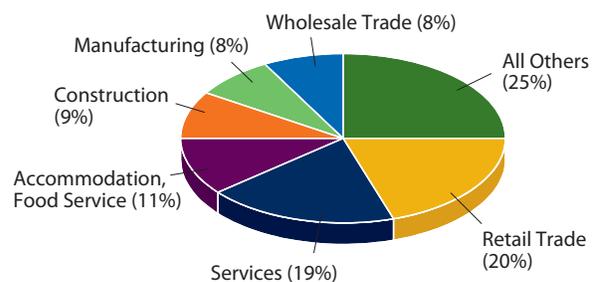
PORTION OF PORTFOLIO FOR FY 2005		
	Number	Percentage
8(a)	2,281	24.1%
HUBZone	1,075	8.0%



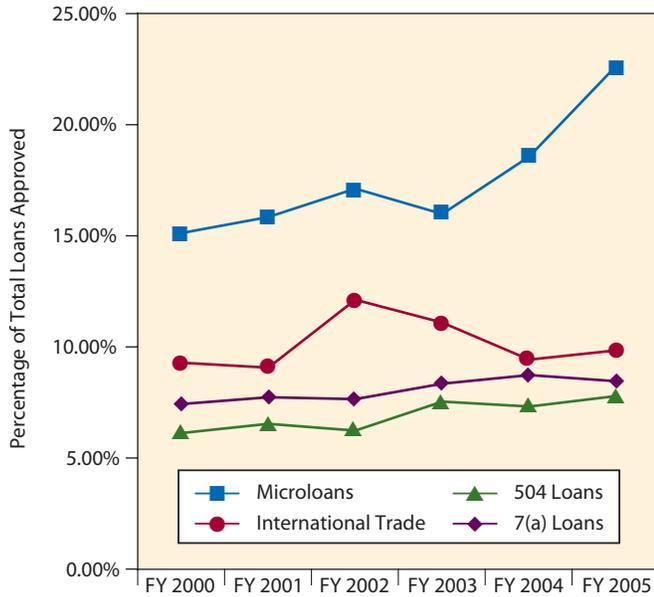
7(a) and 504 Loans to Hispanic-Owned Small Businesses by Industry Sector: 2001



7(a) and 504 Loans to Hispanic-Owned Small Businesses by Industry Sector: 2005

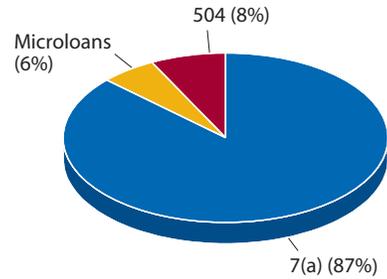


**Financial Assistance Programs
Percentage of Total Loans Approved to
Hispanics By Program: 2000 – 2005**

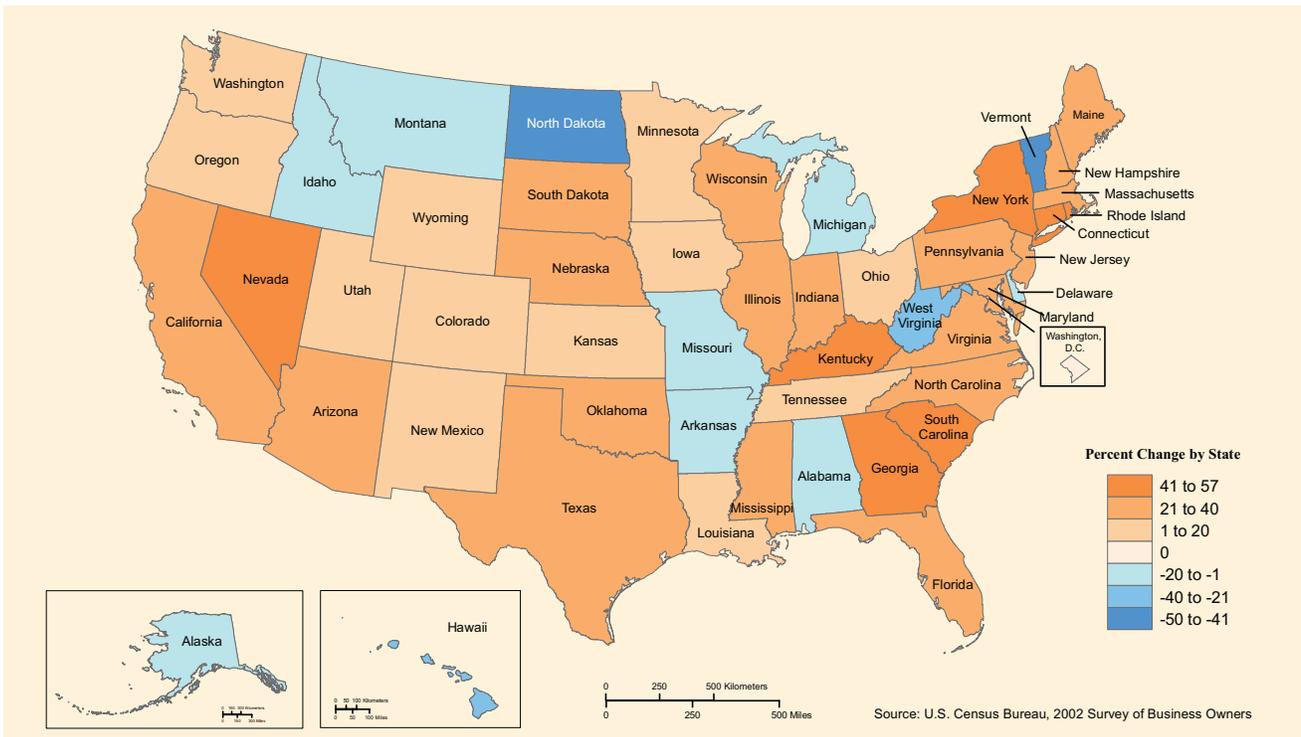


- The slice of the 7(a) (higher loan limits) loan portfolio pie that is accruing to Hispanics has moved from 7.4% of the portfolio in 2000 to 8.4% in fiscal year 2005. On the other hand, Hispanics' share of Microloans (lower loan limits) has soared over 50% (from 15% in FY 2000 to 23% this fiscal year).

**Loan Programs Distribution
Hispanic-Owned Small Businesses**



Hispanic-Owned Businesses | Percent Change in Number of Firms: 1997 to 2002



PROFILE OF NATIVE AMERICAN-OWNED BUSINESSES

Contribution to the Economy

The fastest growing business group, Native American-owned firms increased tenfold for the 15 years between 1982 and 1997.

The 1997 to 2002 growth rate of Native American-owned firms is impossible to discern from Census figures, because Census noted that their methodology for the two comparison periods differed.³⁵ Nevertheless, the most recent 2002 Census figures show that Native Americans owned over 25,000 firms and paid over \$4.7 billion in employee wages.

Special Competitive Opportunity Gaps

- Census reports that Native American-owned small businesses have a 67.0% four-year survival rate, the second lowest after African Americans.
- Research suggests that access to financing options remains a significant barrier to prospective business entry/expansion for Native Americans entrepreneurs mainly due to geographic isolation.³⁶ This, coupled with lack of adequate business experience and expertise places Native American small businesses at a disadvantage.

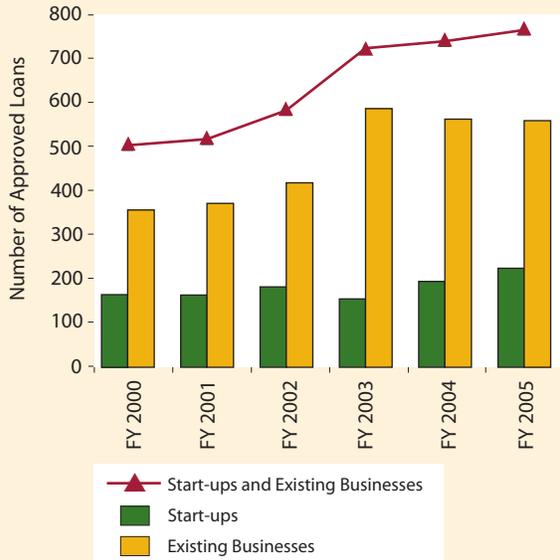
What SBA Is Doing to Fill the Gaps

SBA is targeting marketing and outreach and training to Native Americans to enhance their business opportunities. During FY 2005, the Agency provided business development assistance to Native American businesses in California, New Mexico, Montana, South Dakota, Washington and Idaho. SBA also continues to speak directly to the particular financing and business development needs of the Native-American entrepreneur through its dedicated Office of Native American Affairs. <http://www.sba.gov/naa/>

35. US Census. 2002 Survey of Business Owners. <http://www.census.gov/csd/sbo/>

36. Adamson, Rebecca, and Juliet King (2002). *The Native American Entrepreneurship Report*. Fredericksburg, VA: First Nations Development Institute. <http://www.firstnations.org/narc/initiatives/Publications/Native%20America%20Entrep%20Report.pdf>

**7(a) Loan Program
Native American-Owned Businesses: 2000 – 2005**



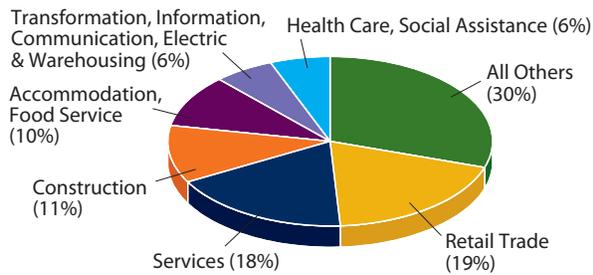
Analysis

- 7(a) loans to Native Americans have been exhibiting an upward trend. Nevertheless, the portion of the 7(a) portfolio going to start-ups has remained stubbornly flat.
- 7(a) and 504 loans to Native Americans saw increase in small business owners borrowing for their firms in the Construction sector, up to 16% in 2005 from 11% in 2001.

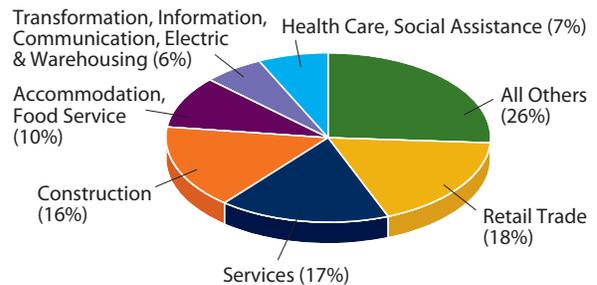
PORTION OF PORTFOLIO FOR FY 2005

	Number	Percentage
8(a)	722	7.6%
HUBZone	1,003	7.4%

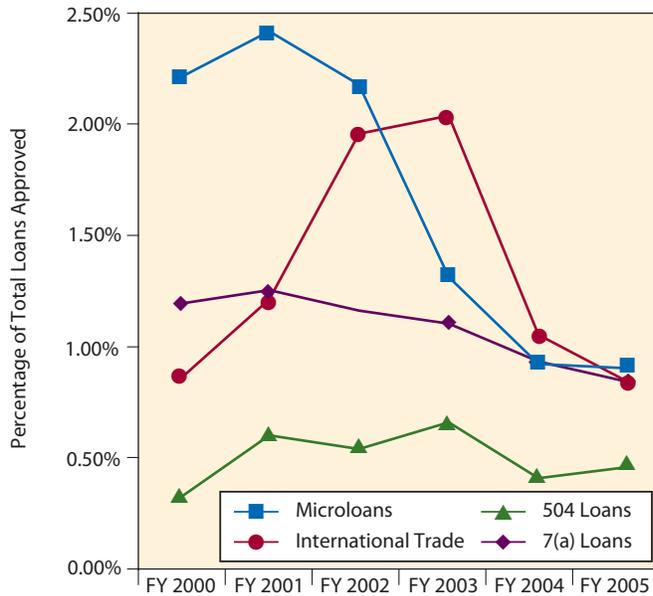
7(a) and 504 Loans to Native American-Owned Small Businesses by Industry Sector: 2001



7(a) and 504 Loans to Native American-Owned Small Businesses by Industry Sector: 2005

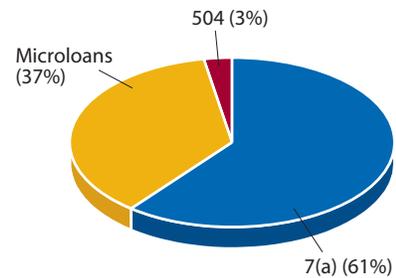


Financial Assistance Programs
Percentage of Total Loans Approved to
Native Americans By Program: 2000 – 2005

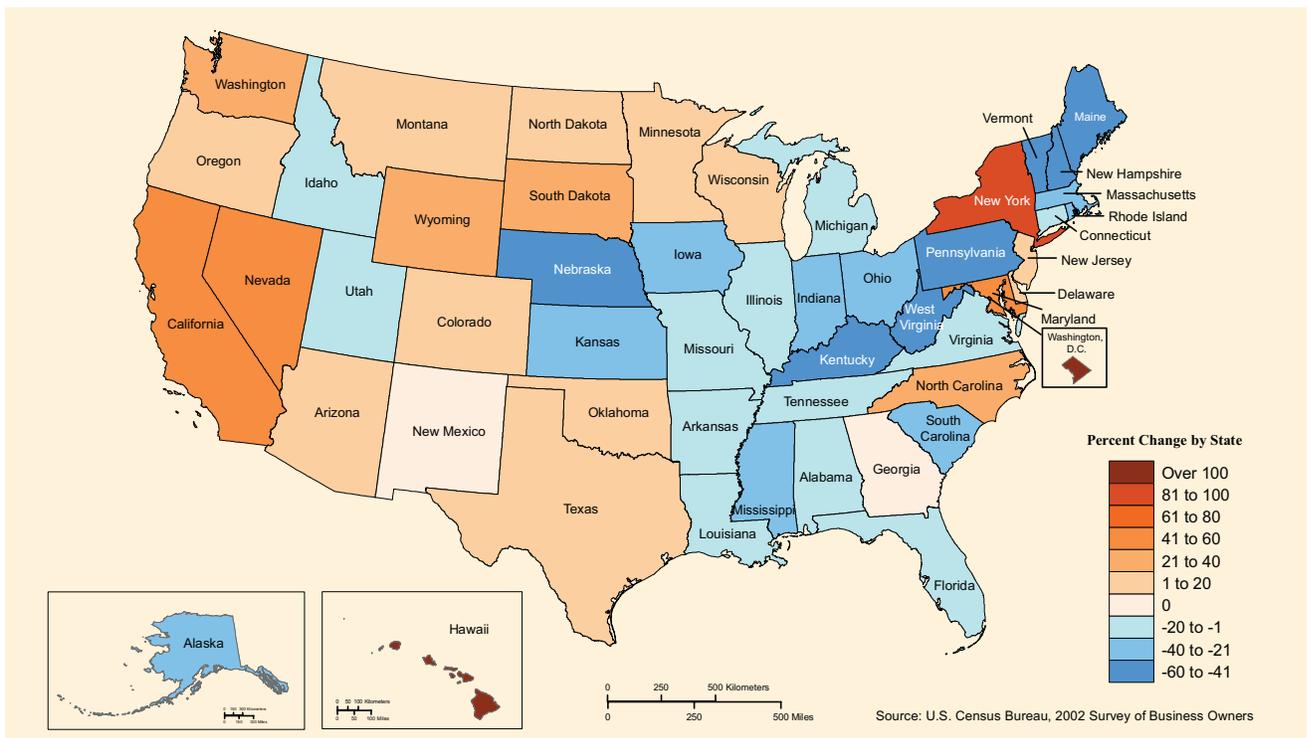


- Although the absolute number of Native Americans taking out 7(a) loans has increased, their percentage of the portfolio for every loan program has decreased.

Loan Programs Distribution
Native American-Owned Small Businesses



Native American-Owned Businesses | Percent Change in Number of Firms: 1997 to 2002



PROFILE OF VETERAN-OWNED BUSINESSES

Contribution to the Nation

Small business ownership comes with many challenges, especially for veterans, service disabled veterans and members of the reserve components of the United States armed forces who often have to balance their civilian careers with their commitment to serve the Nation. Members of the Reserve and National Guard have managed these demands for decades; however, since the events of September 11, 2001, the soldiers, Sailors, Airmen, Marines, and Coast Guard personnel of the Reserve components have contended with more frequent deployments at home and abroad.

Special Competitive Opportunity Gaps

- A major obstacle veterans, and veteran entrepreneurs in particular, have to overcome after military discharge is establishing or re-establishing good credit.
- Entrepreneurial aspiration remains very strong in the veteran population.
- Twenty-two percent of veterans are either purchasing or starting a new business or planning to do so. Furthermore, 72% of these new veteran entrepreneurs plan to employ at least one person as they began their enterprise.³⁷
- Unfortunately, data available for these veteran entrepreneurs remains incomplete.³⁸
- Still, SBA research suggests the most-cited hurdles for prospective and current veteran entrepreneurs were access to financing and information about small-business programs that might be beneficial to them.³⁹

What SBA Is Doing to Fill the Gaps

- America owes a tremendous obligation and responsibility to its veterans. SBA responds to the special needs of veterans both internally and externally to the Agency through its Office of Veterans Business Development (OVBD). This office manages a business outreach program focused on addressing the needs of veterans. During FY 2005:
 - Through various channels, approximately 2 million veterans, service-disabled veterans and Reserve Component members were reached.
 - SBA's published and distributed the *Vet Gazette*, which reached in excess of 42,000 veterans to apprise them of veteran-related issues as well as procurement opportunities.
 - SBA funded targeted outreach through district offices reached 8,657 veteran small business owners/entrepreneurs who received training and information on SBA's programs/services at a cost of \$2.29/veteran.
 - SBA funded five Veteran Business Outreach Centers (VBO) that provided business counseling, training, mentoring, and related assistance to 10,546 veteran small business owners and entrepreneurs. In addition, 4,297 jobs were created as a result of the assistance provide by these centers.
- The SBA has also expanded availability of its counseling services for veterans who wish to run their own businesses. The program is available to all veterans including reservists.
 - Dedicated counseling centers for veterans have been added in Albany, NY, Lynn Haven, FL, and Edinburg, TX, Sacramento, CA and Pittsburgh, PA.
- Resources specially targeted for the veteran entrepreneur are available at <http://www.sba.gov/vets/>

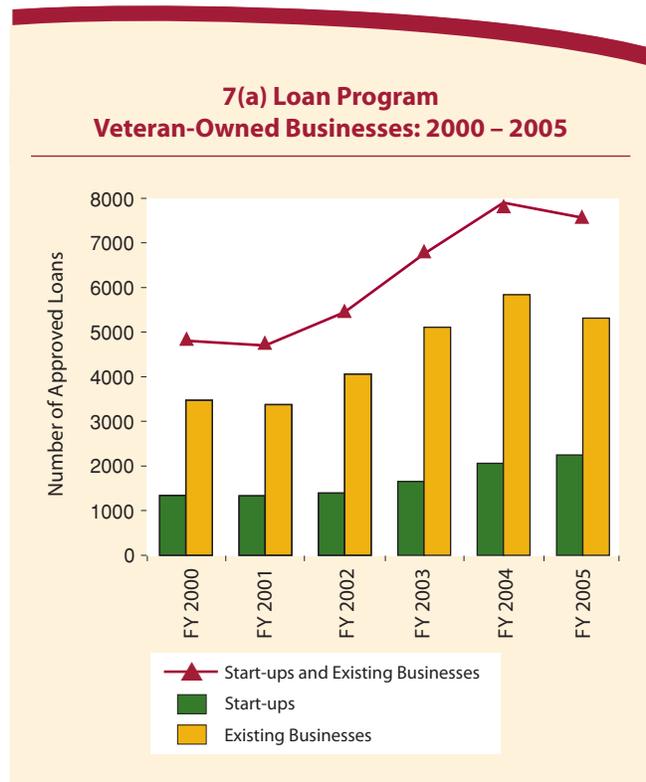
37. Entrepreneurship and Business Ownership In the Veteran Population. SBA # 242. November 2004. <http://www.sba.gov/advo/research/rs242.pdf>

38. Evaluating Veteran Business Owner Data. SBA # 244 December 2004. <http://www.sba.gov/advo/research/rs242.pdf>

39. Entrepreneurship and Business Ownership In the Veteran Population. SBA # 242. November 2004. <http://www.sba.gov/advo/research/rs242.pdf>

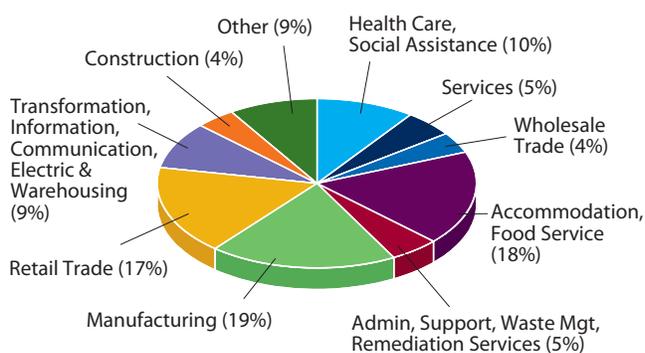
Analysis

- 7(a) loans to veterans have remained flat from FY 2004 data after three years of increasing growth since FY 2001.
- 7(a) and 504 loans to veterans saw increased movement into the Retail and Wholesale sectors, with loans to veterans in each of these sectors increasing by 3% from 2001 to 2005.

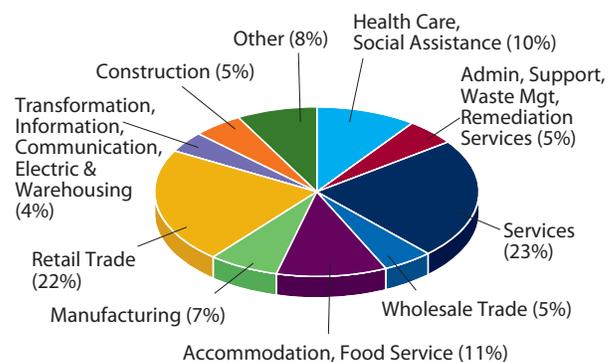


PORTION OF PORTFOLIO FOR FY 2005		
	Number	Percentage
HUBZone	2,365	17.5%

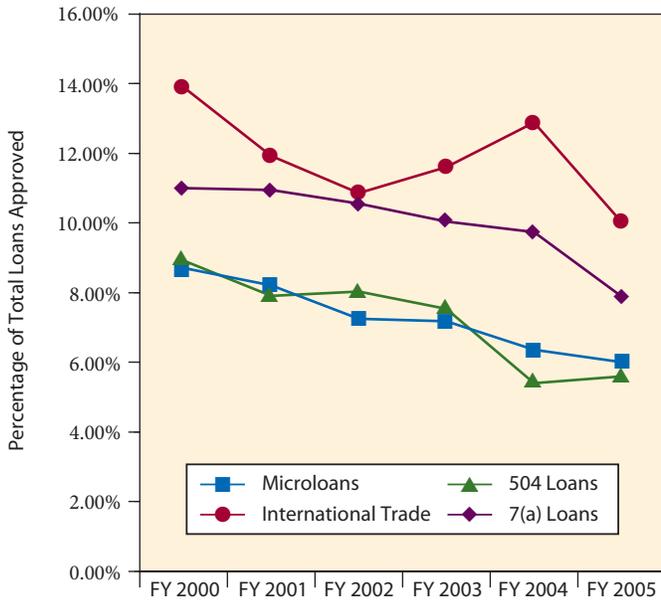
7(a) and 504 Loans to Veteran-Owned Firms by Industry Sector: 2001



7(a) and 504 Loans to Veteran-Owned Firms by Industry Sector: 2005

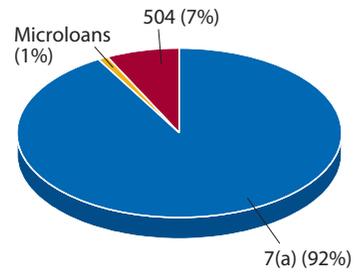


**Financial Assistance Programs
Percentage of Total Loans Approved to
Veteran-Owned Firms By Program: 2000 – 2005**



- Although 7(a) approved loans to veterans are up in absolute numbers, this trend is not reflected in the share of the loan portfolio that accrues to veterans.

**Loan Programs Distribution
Veteran-Owned Small Businesses**



PROFILE OF WOMEN-OWNED FIRMS

Contribution to the Economy

The number of women-owned firms grew 20% from 1997 to 2002 with a corresponding increase in revenue of 16%.⁴⁰

The most recent 2002 Census figures show that women owned 6.5 million or 3.5% of the 23 million US firms. These female-led firms generated \$950.6 billion in revenues and paid over \$175 billion in employee wages.

Special Competitive Opportunity Gaps

Number of firms grow, but income still stagnant.

- Sole proprietorships owned by women grew faster than male owned ones from 1985 to 2000.⁴¹
- These women-owners also outgrew men in the number of firms and both gross & net income.
- The share of the women's income was considerably less than their portion of sole proprietorships. Census further reports that "over half of women-owned firms were in the service-related industries."⁴²
- Despite growth in equity firms to provide start-up or growth capital, the proportion of these venture funds accruing to women remains small.⁴³

What SBA Is Doing to Fill the Gaps

- SBA has in place many programs to encourage women's strong entrepreneurial spirit. The Agency's loan portfolio to women is more industry diversified than the general women-owned small business population.
- Women's Business Centers are resource centers around the country that provide technical assistance to women interested in starting or growing their firms.
- District offices have in-house representatives that are specialists in women-entrepreneur issues.
- Mentoring and support is also available via Women's Network for Entrepreneurial Training.
- Resources targeted to woman entrepreneurs are available at <http://www.sba.gov/financing/special/women.html>.

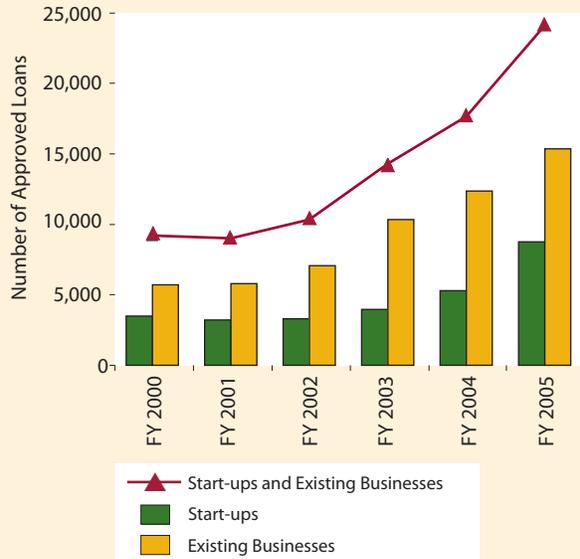
40. US Census. 2002 Survey of Business Owners. <http://www.census.gov/csd/sbo/>

41. Statistics of Income (SOI) Division of the Internal Revenue Service.

42. *ibid*

43. An Investigation of Women-Led Firms And Venture Capital Investment. Brush, et al. 2001. <http://www.sba.gov/ADVO/research/rs214tot.pdf>

**7(a) Loan Program
Women-Owned Businesses: 2000 – 2005**



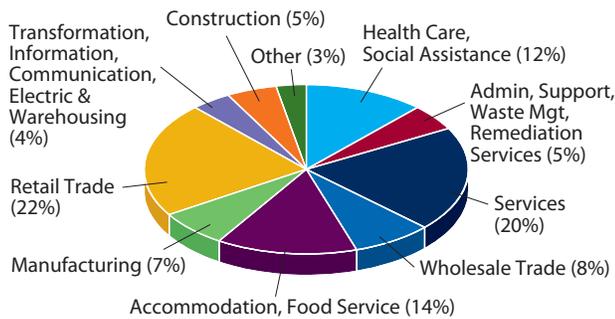
Analysis

- After a period of falling start-ups to existing businesses ratio, it is encouraging to notice an up-tick in the proportion of start-ups to existing women-owned firms that are turning to 7(a) for their capital needs. Nevertheless, the total number of women-owned businesses turning to SBA for these 7(a) loans has exhibited a continuing upward trend through the years.
- Between 2001 and 2005, the share of industry sectors in which women-owned firms that have taken out 7(a) or 504 loans has remained almost constant. Nevertheless, there has been a slight shift away from Accommodation/Food Service and Healthcare/Social Assistance into Other Services.

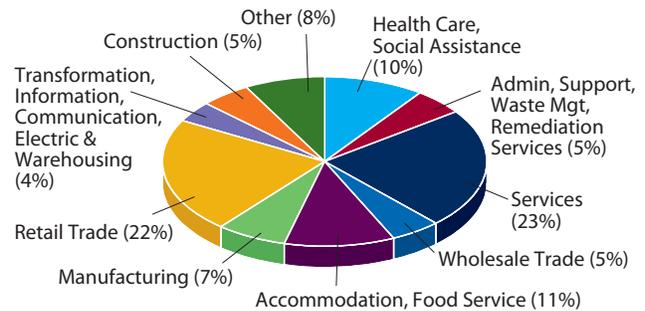
PORTION OF PORTFOLIO FOR FY 2005

	Number	Percentage
8(a)	2,931	31.0%
HUBZone	4,079	30.2%

7(a) and 504 Loans to Women-Owned Small Businesses by Industry Sector: 2001

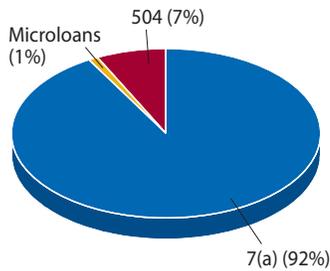


7(a) and 504 Loans to Women-Owned Small Businesses by Industry Sector: 2005

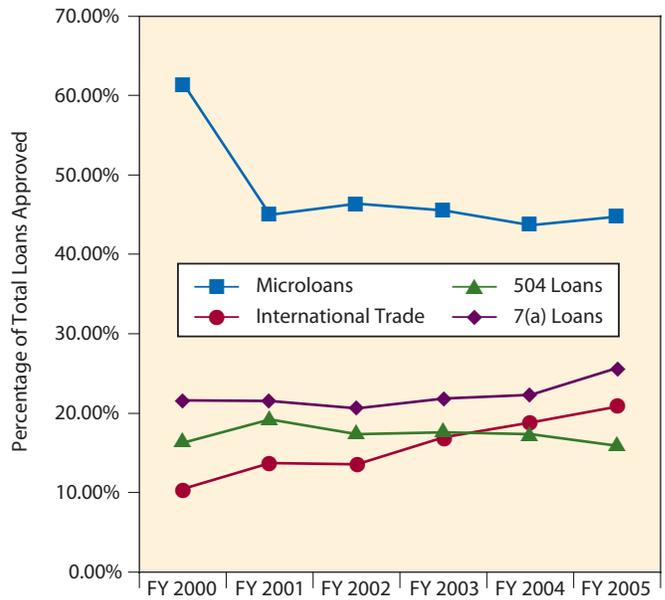


- Microloans (low loan limits) to women have dropped from a high of just over 61% in FY 2001 to under 45% in FY 2005. Meanwhile, 7(a) loans to women-owned firms are finally showing signs of trending upwards after years of stagnant growth.

**Loan Programs Distribution
Women-Owned Small Businesses**



**Financial Assistance Program
Percentage of Total Loans Approved to
Women-Owned Firms By Program: 2000 – 2005**



Women-Owned Businesses | Percent Change in Number of Firms: 1997 to 2002

